### Practical Food and Beverage Cost Control 2nd Edition Ojugo Test Bank

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# Chapter 1: Overview of the Industry and the Manager's Role

### **TRUE/FALSE**

- 1. Globally, travel and tourism is the world's largest industry. ANS: T PTS: 1 DIF: Easy 2. Successful forecasting is defined as predicting the consequences of a given decision or set of decisions over a given time. ANS: T PTS: 1 DIF: Easy 3. The main factors behind higher food commodity costs include stronger global demand for oil. ANS: F PTS: 2 DIF: Average 4. When costs or expenses are greater than revenue, the company experiences profit. ANS: F PTS: 1 DIF: Easy 5. Costs that are incurred to make a product, like a chicken entrée, are called production costs. ANS: T PTS: 1 DIF: Easy 6. Increasing revenue suggests growth, whereas decreasing revenue indicates the possibility of decreased profits and other financial problems in the future. ANS: T PTS: 1 DIF: Easy 7. Food safety and security will stop to be a top public policy issue for the industry into the future. ANS: F PTS: 2 DIF: Average 8. On a typical day in 2008, the food service industry expected to post sales of \$1.53 billion. ANS: T PTS: 1 DIF: Easy 9. Communication is the ongoing process of exchanging information between different departments and people both within and outside an organization. ANS: T PTS: 1 DIF: Easy 10. Revenue, a term often used interchangeably with income or sales, is money received by a business minus returns and discounts in a given period of time. ANS: T PTS: 1 DIF: Easy **MULTIPLE CHOICE** 
  - 1. In the United States, the Food Service Industry directly supports approximately million jobs. a. 2 c. 7

b. 4
ANS: D
PTS: 1 DIF: Easy

- 2. According to the National Restaurant Association (NRA), on a typical day in 2008, the food service industry expected to post sales of:
  - a. \$1.53 billion c. \$1 billion
  - b. \$3 billion d. \$2.5 billion

ANS: A \$1.53 billion

PTS: 1 DIF: Easy

3. The average annual household expenditure for food away from home in 2008 was:

a. \$4,206c. \$3,000b. \$2,676d. \$1,500

ANS: B \$2,676

PTS: 1 DIF: Easy

- 4. The manager's key job functions lie in cost control, specifically in the following areas:
  - a. planning for labor productivity controls
  - b. financial reporting, and other duties such as developing revenue strategies and expense control systems
  - c. evaluating and consulting
  - d. protection and maintenance of company assets
  - e. all answers are correct

ANS: E all answers are correct

PTS: 1 DIF: Easy

- 5. There are many approaches to forecasting. In selecting a specific method that suits the circumstances, which of the following are considered important criteria?
  - a. Is the method practical?
  - b. What resources and data must be available to make it work?
  - c. Is this method cost-effective?
  - d. Are its end results useful and reliable?
  - e. All answers are correct

ANS: E All answers are correct

PTS: 1 DIF: Easy

- 6. A high inventory turnover ratio—a figure calculated to show how quickly a company is using products—may indicate that:
  - a. the unit is buying too much stock

- b. the unit inventory is exposed to theft
- c. the unit is not buying too much stock
- d. the unit revenue is below forecast

ANS: C the unit is not buying too much stock

PTS: 2 DIF: Average

- 7. The bulk of the industry consists of eating places.
  - a. institutional b. commercial

- c. military
- d. none of these answers is correct

ANS: B commercial

PTS: 1 DIF: Easy

- 8. The term *FTE* refers to a measurement equal to:
  - a. one staff person consistently working overtime
  - b. a group of staff persons working a full-time work schedule
  - c. one staff person working a full-time work schedule for one year
  - d. two or more staff persons working a full-time work schedule for one year

ANS: C

one staff person working a full-time work schedule for one year

PTS: 1 DIF: Easy

- 9. What are the main factors behind higher food commodity costs in the United States?
  - a. weather-related production problems
  - b. increased use of some food commodities, such as corn, for biofuel uses
  - c. stronger global demand for food
  - d. all answers are correct

ANS: D all answers are correct

PTS: 1 DIF: Easy

- 10. What is the biggest challenge and opportunity the food service industry faced in 2008?
  - a. maintaining customer loyalty
- c. high utility-gas costs

b. employee retention

d. high insurance

ANS: A maintaining customer loyalty

PTS: 1 DIF: Easy

## SHORT ANSWER

1. If a hotel has 250 rooms, how many room nights are available in a thirty-day month?

ANS: 7,500 room nights PTS: 1 DIF: Easy

2. Assume there are 7,500 room nights. If 5,800 rooms are occupied during a period, what is the occupancy percentage?

ANS: 77.33 percent

PTS: 1 DIF: Easy

3. What is a food and beverage forecast?

ANS:

A food and beverage forecast is a quantitative report that attempts to predict the outcome of a series of events, with little or no effort made to control the results of those events.

PTS: 3 DIF: Challenging

4. Why is it important to analyze the inventory turnover ratio?

ANS: To control costs

PTS: 1 DIF: Easy

5. Define full-service restaurant.

ANS:

The term *full-service restaurant* refers to more formal, complete table-service operations; limited-service restaurants are those that are less formal, such as fast-food and take-out eateries.

PTS: 1 DIF: Easy

6. What is a full-time equivalent?

ANS:

The term *FTE* refers to a measurement equal to one staff person working a full-time work schedule for one year. It is also a way to measure an employee's productivity in a project.

PTS: 1 DIF: Easy

7. Explain the meaning of cost.

ANS:

Cost, also referred to as expenses, describes the sum of all money paid out for goods and services during a given period of time; these are the costs of goods and services used in the process of obtaining revenue.

PTS: 1 DIF: Easy

8. A key phrase in the food and beverage manager's vocabulary is cost-effective controls. Why?

ANS:

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Managers use cost-effective control alternatives to rectify cost inefficiencies or, in short, to minimize costs while maximizing profits. The manager believes that controls must be cost-effective and balanced. They must not impact the customer's perceived value; nor must they run astray of safety laws or lead to financial losses.

PTS: 1 DIF: Easy

9. What are key performance indicators (KPI) used for?

ANS: To measure progress

PTS: 1 DIF: Easy

10. Give an example of how Key Performance Indicator (KPI) for Inventory Turn is calculated.

ANS: Cost of goods sold divided by average inventory

PTS: 1 DIF: Easy